



SOCIETY OF ACTUARIES

JUNE/JULY 2007 VOLUME 4 ISSUE 3

# THE ACTUARY

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PRESIDENTIAL ADDRESS  
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TIME TO GO  
**SOLO?**

EMERGING NEW MARKET | READY TO FLY? | DISCOUNT RATE SELECTION

Should I start my own business? Do I need a partner? Should I have a Web site? Will I be successful? There are many questions to answer before you switch fishbowls and try out your own fins. [BY MICHAEL FRANK](#)



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an Independen



Good, The Bad and The Ugly of Being  
**Independent Actuary**

**F**or you movie buffs, this is not a Clint Eastwood western, but rather an article about a seminar recently offered by the Actuarial Society of Greater New York (ASNY). In January 2007, I moderated a session on the independent actuary sponsored by ASNY called “The Actuary as an Entrepreneur—The Good, The Bad and The Ugly of Being an Independent Actuary.” The goal of the session was to provide actuaries with an overview of the experiences of being an independent actuary. The session speakers included Peter Coleman, The Benefit Practice; Lina Cheung, CP Risk Solutions; and myself, Aquarius Capital.

In regard to the three speakers, our backgrounds, although different, had a lot of similarities. Between the three of us, we had more than 18 jobs before we each went on the adventure of forming our own companies. Peter was our senior statesman with six years as an independent; Lina just completed her first successful year; and I had just reached my fifth anniversary of being an independent. We are all relatively young firms, so our experiences of starting a business are relatively fresh in our minds.

The meeting was one of the largest attended ASNY sessions in the past year since it was a topic that hits home to many actuaries. Attendees included actuaries in large consulting firms, small consulting firms, large insurance companies, reinsurers and other independents. We also had attendees that were non-actuaries and their participation was very valuable.

## Topics Discussed

A main focus of our presentation was open dialog and presentation focused around the following questions:

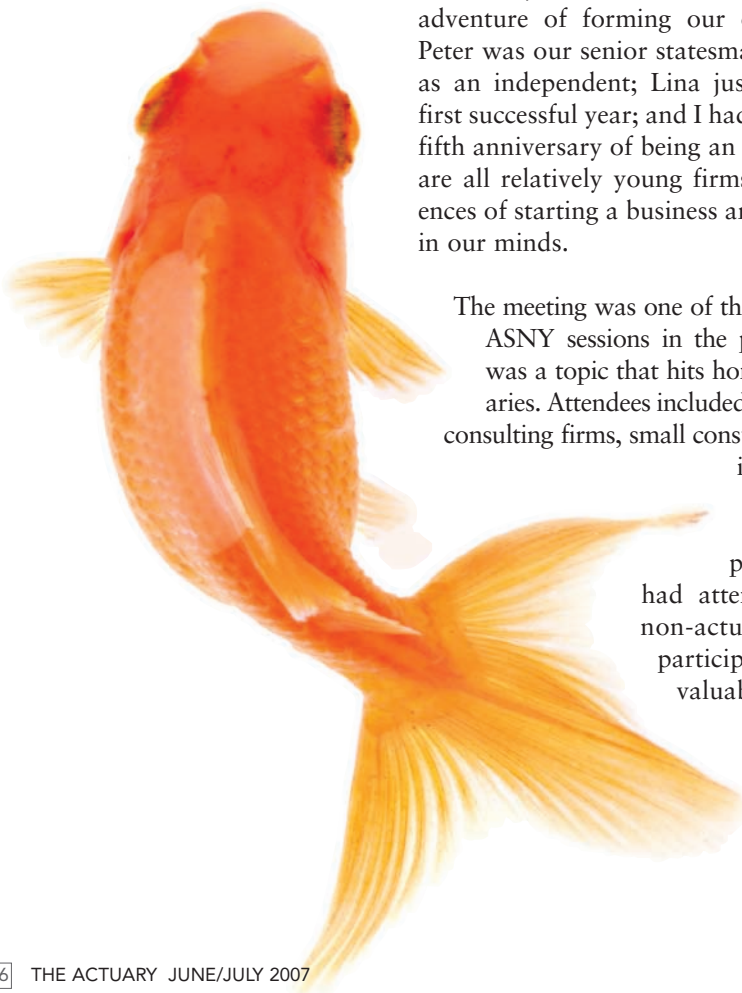
- Why do I want to start my own business?
- What services will I provide? Am I qualified to do these services?
- Who is my competition?
- How do I get my business started?
- Who is going to do the marketing?
- How do I find business?
- Can I be my own boss? Can I afford to be my own boss?
- Do I go this alone? Have partners? Do I hire staff?
- Do I have contracts with my clients?
- How much do I charge for my services?
- What do I call my company?
- Should I have a home office or outside office?
- What marketing material should I have?

These were some of the topics discussed. The list was long and as you can imagine many of the answers discussed were not “cookie cutter” responses. Each speaker had his/her own perspective of the above that is unique to the individual. Various members in the audience also contributed significantly to the discussion.

In this article, I want to touch on a few of the items discussed to give you a flavor of the presentation.

## Do I Do It Alone Or Do I Get a Partner?

All three speakers chose to have a partner in their business rather than being a sole practitioner. All three of us found that our businesses were more effective having a partner—it helps when you are pitching for business plus it helps in coordinating work to be completed. What this means is that you are sharing the wealth, but it also means you are sharing the load. Partnerships are not for everyone.



## Learn the Clichés

Some of the key phrases that become part of a regular day are things like “boutique” rather than “small” and words like “niche” and “expert.”

We are not encouraging you as an independent actuary to consult on things that you are not comfortable in, but if you feel you are an expert, then market yourself as such. Nobody wants to hire someone that “might” have “some” knowledge in a subject and could “possibly” assist. They are picking you as the expert. Your definition and qualifications of being an expert may vary, but it is important for you to understand what you think your capability is and also to “know your limitations.”

## Valuation Software

Do I buy, rent or build? As an actuary, we use various programs and tools in order to complete our jobs. Whether our careers are focused on pensions, life insurance, healthcare or other fields, most actuaries are using valuation programs. This is no different for independent actuaries. Actuaries that are part of a large firm have the benefit of having technology support, which might include having resources focused on buying software or internal people available to support software, or a combination of both.

If you are going to buy the software, this may be an expensive proposition. However, if you are going to build your own, then it is important that you make sure that the appropriate time and energy is put into testing the program (e.g., look at a variety of test cases). Remember, as an independent actuary you are head chef, assistant cook and bottle washer, so use your time wisely—and use your money wisely also.

## Do I Buy Insurance?

As actuaries, we spend our entire careers focused on insurance. However, we have been fortunate when being part of a large firm (insur-

ance company or consulting firm or large financial institution), that insurance coverage is never an issue. We’ve all received employee benefits with low contributions, since the company pays the bulk of the cost (unlike most professions). As an independent actuary, the reality of how large the premiums we set are will definitely hit home when we have to write the full amount. Besides employee benefits, do not forget about retirement.

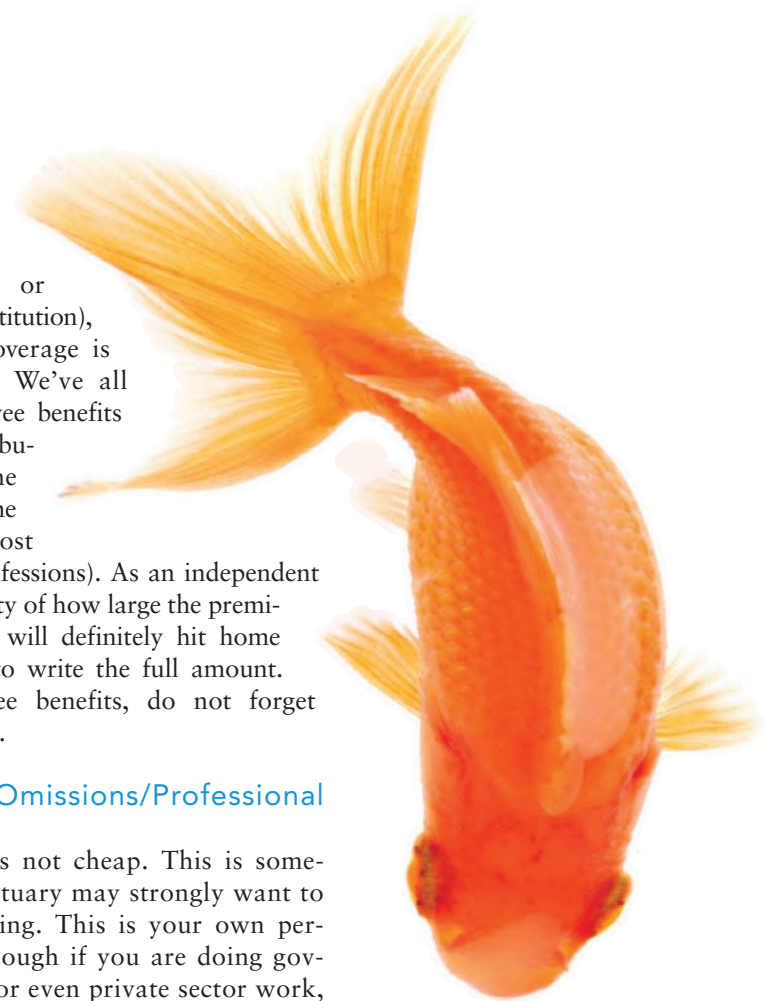
## Errors and Omissions/Professional Liability

This coverage is not cheap. This is something that an actuary may strongly want to consider obtaining. This is your own personal choice, though if you are doing government sector or even private sector work, this cost is more of a reality since many organizations will require that you have this insurance.

You will most likely need an insurance broker to help you purchase this coverage. Do not be afraid to ask other independents what they are paying for this coverage since the cost is rather sizable. Remember, expense management is very important as an independent so make sure the cost and coverage for liability insurance is appropriate.

## Some Helpful Tips

If you are an independent or considering being an independent, here are a few tips to keep in mind. We do not know everything and the more you learn the more you don’t know. Make sure you consult an accountant and a lawyer to help you figure out how to set up your company (LLC versus S Corp. versus other), tracking experiences for taxes, handling agreements and legal documents.



As an independent actuary, you should anticipate having contracts with your clients, confidentiality agreements, non-circumvent agreements, HIPAA/PHI agreements, etc., so be prepared to spend some legal fees, but also be cost conscious since you are running a business. Your contracts should explain how you are getting paid and who is paying you, because despite being the altruist you are, it is difficult to make a living working for free.

### Should I Have a Web Site?

If you are serious about being an independent, this is a good thing for you to have. Most prospects and future clients will want to see this. It is a way to tell your story in a cost-effective manner. Designing structure and developing content will help flush out your business model. It is also potentially the first impression that you give a customer.

Some examples of Web sites are Aquarius Capital ([www.aquariuscapital.com](http://www.aquariuscapital.com) and [www.aquariusthought.com](http://www.aquariusthought.com)), The Benefit Practice ([www.benefitpractice.com](http://www.benefitpractice.com)) and CP Risk Solutions ([www.cprisksolutions.com](http://www.cprisksolutions.com)). There are many more from independent actuaries.

Also, go outside the profession and look at other Web sites to see which ones you find work for you. It will help you and your Web site developer (if you use one) in tailoring something that makes sense to you.

### Always Build Your Rolodex

This is an extremely important tool to have. Your rolodex is your best resource for obtaining business as well as for accessing resources to help you in your business. This will help from a client, administrative and spiritual perspective.

Also, there's no point in re-inventing the wheel either. Remember, you are not the first to go independent and probably not the last.

The actuarial profession is one of the best professions and I did not quite appreciate this until I became an independent actuary. I think all three speakers would have the same view that this profession has been very good to them. I have found that unlike many professions, this is a profession that wants its peers to succeed and the support system is significant.

Most of the readers of this article probably have volunteered considerable amounts of time to help with continuing education, career development, technical seminars or even government committee work (e.g., task forces, committees, etc.) to better the profession. As independent actuaries, we are more inclined to help than compete with each other. This might be through referring business opportunities, providing technical assistance (might include pointing someone in the right direction), or simply providing moral support.

You will find that the actuarial recruiters will also be helpful to you. We are fortunate that our profession has recruiters uniquely specialized in our business, even though our business is constantly changing. There are a lot of good recruiters and they all are looking to help. As an example, one recruiter that I spoke with after hanging my shingle as an independent was Ken Mitchell. His comments were, "That's great; I have a bunch of people that I want you to call to help you get going." Although Peter Coleman and I worked at several of the same companies (we never crossed paths), I was able to meet Peter through Ken's introduction.



All three speakers found the session rewarding and we have been asked to present at the Society of Actuaries Annual Meeting in Washington, D.C. this October. If you are looking to start your own business, remember that there is a lot of support out there. All three of us would be happy to assist you with any questions on the topic. ■

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